

West Michigan Risk Management Trust

2007-08

**Annual Financial Report
with Additional Information**

For the Period Ended June 30, 2008

West Michigan Risk Management Trust

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Introductory Section



*West Michigan Risk
Management Trust*

Executive Board

Holly Norman
Chairperson

Kim Hansen
Vice-Chairperson

Deb Reese
Secretary

Jim English
Treasurer

Member Districts

Byron Center
Caledonia
Comstock Park
Delton-Kellogg
East Grand Rapids
Forest Hills
Fruitport
Grandville
Godfrey-Lee
Gull Lake
Jenison
Kalamazoo RESA
Kent City
Kentwood
Lowell
Northview
Ottawa Area ISD
Reeths Puffer
Rockford
South Haven
Sparta
Spring Lake
Thomapple-Kellogg
Wavecrest
Wayland Union
Wyoming
Zeeland

October 13, 2008

Dear Pool Member:

The West Michigan Risk Management Trust (WMRMT) is an organization comprised of member school districts located in West Michigan. Formed in July 1990 to provide casualty and liability insurance, the membership has increased from the original 13 member districts to the current 26 members. The WMRMT insurance program also includes boiler and machinery coverage, risk management, third-party administration of claims, and loss prevention programs.

The WMRMT is a trust voluntarily established pursuant to Section 2 of Chapter 124 (P.A. 1951, No. 35, Section 2) and Section 5 of Chapter 124 (P.A. 1982, No. 138, Section 5) of the Michigan Compiled Laws for the purpose of providing participating school districts such services and security as are approved by the Board of Directors and permitted by the laws of the State of Michigan. Article 5 of the Interlocal Agreement and Bylaws established a Board of Directors and Officers of the Pool. Bylaws stipulate that the Board of Directors would determine the general policy of the Pool and that the chairperson would serve as the chief policy officer of the Pool.

In the fall of 1989, the Kent County Superintendent's Association expressed an interest in forming a self-insurance pool for the Kent County area. The Kent County Superintendent's Association is an organization located in West Michigan that includes all K-12 school districts in Kent County.

The WMRMT was established to create a cooperative atmosphere in which to provide:

- Increased or improved property and liability coverage's
- Reduced premiums
- Improved loss prevention programs
- Increased protection against extraordinary swings in insurance premiums
- The ability of Pool members to share in the interest income from their premiums
- Security against paying premiums several times greater than actual losses

Based on current entry procedures, new prospective members to WMRMT submit five-year loss histories with substantiating data along with exposure information on property values, vehicles, teachers, and student populations. The Executive Committee reviews this information to determine eligibility and compatibility with the current Pool members, with a 50 percent loss ratio as an established criteria for admissions, and makes a recommendation to the Board of Directors. The geographic scope of the Trust includes districts within the "West Michigan" boundary, which is defined as west of Lansing and south of Cadillac.

West Michigan Risk Management Trust

Financial Management

WMRMT is a risk-sharing, self-insurance pool with a self-insurance retention (SIR) of \$250,000 per occurrence, effective for the 2007-2008 through 2005-2006 loss fund years, and a SIR of \$175,000 from inception to the 2004-2005 loss fund year, which is protected by excess insurance of adequate amounts over the SIR. The loss fund contribution is based on property values, vehicles, teachers, student population, and other pertinent data as reviewed annually. The loss fund is secured by unlimited aggregate coverage in excess of the fund in accordance with Section 7 (a)(iv) of P.A. 138 of 1982 of the Michigan Compiled Laws.

The treasurer of WMRMT serves as a fiscal agent for the pool and is responsible for setting up and maintaining the appropriate accounting system for the pool operations.

WMRMT accounting records for general operations are maintained on an accrual basis, with the contributions (assessments) from members recorded as revenue when submitted and measurable expenditures are recorded when the services are received and the liabilities incurred.

Article 8 of the bylaws provides that the Board of Directors shall approve a preliminary budget for the administration of WMRMT by June 30 of each year. Upon review and submission, the Board shall annually adopt the budget, which includes the annual contributions (assessments) to the member school districts.

Financial reports are produced showing budget and actual expenditures by line item. These reports are reviewed monthly by the finance committee and the Board of Directors. Individual line items are reviewed and analyzed for budgetary compliance.

Bylaws and state statutes require annual audits of the books of WMRMT. Plante & Moran, PLLC has been contracted to provide the auditing service. Tillinghast-Towers Perrin has been contracted to provide an actuarial service as required by the State. The use of accounting principles generally accepted in the United States of America and Governmental Accounting Standard Board (GASB) No. 10 and GASB No. 30, an amendment of GASB No. 10, are contained in this report.

West Michigan Risk Management Trust

Financial Management (Continued)

The first year aggregate loss fund was set at \$335,000 and funded at the 100 percent level, the second year, 1991-1992, aggregate loss fund was set at \$333,663 and funded at the 100 percent level. The third year, 1992-1993, aggregate loss fund was set at \$339,132 and funded at the 100 percent level. The fourth year, 1993-1994, aggregate loss fund was set at \$405,000 and funded at the 100 percent level. The fifth year, 1994-1995, aggregate loss fund was set at \$453,000 and funded at the 100 percent level. The sixth year, 1995-1996, aggregate loss fund was set at \$450,000 and funded at the 100 percent level. The seventh year, 1996-1997, aggregate loss fund was set at \$532,500 and funded at the 100 percent level. The eighth year, 1997-1998, aggregate loss fund was set at \$650,000 and funded at the 100 percent level. The ninth year, 1998-1999, aggregate loss fund was set at \$650,000 and funded at 100 percent level. The tenth year, 1999-2000, the aggregate loss fund was set at \$725,000 and funded at 100 percent level. The eleventh year, 2000-2001, the aggregate loss fund was set at \$775,000 and funded at 100 percent level. The twelfth year, 2001-2002, the aggregate loss fund was set at \$775,000 and funded at the 100 percent level. The thirteenth year, 2002-2003, the aggregate loss fund was set at \$974,000 and funded at the 100 percent level. The fourteenth year, 2003-2004, the aggregate loss fund was set at \$1,000,000 and funded at the 100 percent level. The fifteenth year, 2004-2005, the aggregate loss fund was set at \$1,000,000 and funded at the 100 percent level. The sixteenth year, 2005-2006, the aggregate loss fund was set at \$1,369,108 and funded at the 100 percent level. The seventeenth year, 2006-2007, the aggregate loss fund was set at \$1,368,500 and funded at the 100 percent level. The eighteenth year, 2007-2008, the aggregate loss fund was set at \$1,300,000 and funded at the 100 percent level.

Fund balances consisting of claim reserves and bank cash balances are invested in order to maximize earnings in each fund. WMRMT's interlocal agreement states that the investments shall be in accordance with those practices permitted by Michigan School Law as permitted under the Insurance Code of 1956, Act 219 of the Public Acts of 1956, as amended. All investments are made in recognition of liquidity needs for operating expenses and claim payments.

Revenue for the 2007-2008 fiscal year totaled \$3,225,516, of which \$200,546 was interest earnings.

Expenses for the 2007-2008 fiscal year totaled \$3,374,612 as follows:

Excess insurance premiums	\$ 1,506,595
Provision for claims	1,280,668
Contract services	358,852
Operating expenses	228,497

Each year, funding is accomplished by allocation of cost per member, and the member costs are developed through a formula that accounts for factors such as property values, student and vehicle counts, and loss experience. Each member is responsible for their portion of the loss fund on a proactive (up-front) basis. Since the losses continue to be funded at a maximum exposure level, there are no requirements for post-loss funding.

West Michigan Risk Management Trust

Cost Containment

WMRMT's claims/risk management committee evaluates claims and makes recommendations to the Board of Directors on policies or procedures needed to reduce risk in certain areas. The Committee also arranges loss prevention management seminars.

Using contracted services for loss prevention, third-party claims administration, and risk management has also allowed the trust to control claims and costs.

WMRMT also has contractual arrangements with Gallagher Basset Services, Inc. for the third-party claim administration and management. This agreement calls for claims management, loss control assistance, monthly loss runs, and other claims administration services, including regular attendance at claim committee meetings and full board meetings.

WMRMT has a contractual arrangement with Arthur J. Gallagher & Co. for renewal data gathering, market submission, proposal summaries, and other risk management administrative support to the Board. These relationships are integral to the operation of WMRMT.

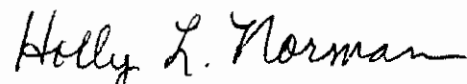
Summary

The independent auditor's report issued by Plante & Moran, PLLC and the actuary report provided by Tillinghast-Towers Perrin is included in this report.

This report supports the philosophy of providing improved coverages and reducing costs that lead to the creation of WMRMT.

WMRMT continues on a course of controlled growth and expanded loss control with a focus on reducing losses.

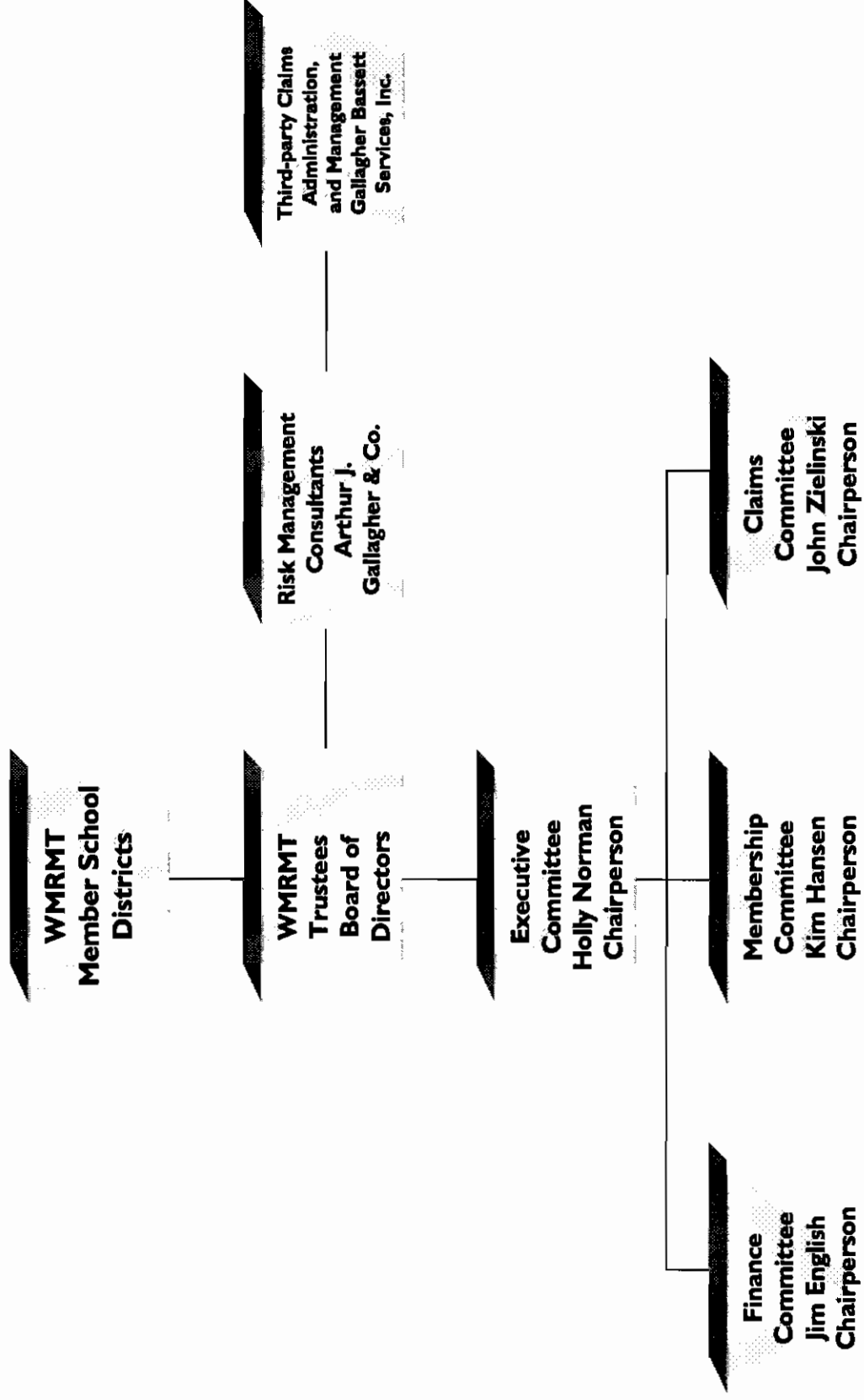
Sincerely,



Holly Norman, Chairperson
Executive Committee
West Michigan Risk Management Trust

West Michigan Risk Management Trust

Organization Chart



West Management Risk Management Trust

Executive Officers and Board of Directors As of June 30, 2008

EXECUTIVE COMMITTEE

Board Chairperson Holly Norman – Kalamazoo RESA
Board Vice Chairperson..... Kim Hansen - Jenison
Board Secretary Deb Reese - Grandville
Board Treasurer Jim English - Wayland
Board Chairperson of Claims/
Risk Management Committee John Zielinski - Northview
Chairperson of Membership Committee Deb Miller – Spring Lake
Chairperson of Finance Committee Jim English - Wayland

BOARD OF DIRECTORS

BOARD MEMBERS

DISTRICTS

Marc Faber	Byron Center
Ron Archer	Caledonia
Jill Kasual	Comstock Park
Sheryl Downer	Delton-Kellogg
Kevin Philipps	East Grand Rapids
Tim Raymer	Forest Hills
Pam Kihn	Fruitport
Roxanne Claxton.....	Godfrey Lee
Deb Reese.....	Grandville
Lisa Anderson.....	Gull Lake
Kim Hansen.....	Jenison
Holly Norman	Kalamazoo RESA
Steve Lampe.....	Kent City
Steve Zakem	Kentwood
John Zielinski	Lowell
Craig McCarthy.....	Northview
Darcie Birkett	Ottawa Area ISD
Frank VerHoven	Reeths Puffer
Mike Cuneo	Rockford
Robin Mock	South Haven
Deb Berenbrock	Sparta
Deb Miller	Spring Lake
Chris Marcy.....	Thornapple Kellogg
Darcie Birkett	Wavecrest Career Academy
Jim English	Wayland Union
Marc Faber	Wyoming
David Van Ginhoven	Zeeland

Financial Statements

West Michigan Risk Management Trust

**Financial Report
with Supplemental Schedules
June 30, 2008**

West Michigan Risk Management Trust

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Independent Auditor's Report

To the Board of Directors
West Michigan Risk Management Trust

We have audited the statement of net assets of West Michigan Risk Management Trust as of June 30, 2008 and 2007 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Michigan Risk Management Trust at June 30, 2008 and 2007 and the changes in financial position, including cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplemental information (identified in the table of contents) are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Directors
West Michigan Risk Management Trust

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Michigan Risk Management Trust's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The other supplemental information is presented for the purpose of additional analysis. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 13, 2008

West Michigan Risk Management Trust

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of the statement of net assets, the statement of revenue, expenses, and changes in net assets, and the statement of cash flows. Along with the footnotes, they provide detailed financial information concerning West Michigan Risk Management Trust (the "Trust"). This section, the management's discussion and analysis, is intended to provide an overview of the Trust's financial condition, results of operations, and other key information. Please read it in conjunction with the Trust's financial statements, which immediately follow this section.

Financial Overview

In analyzing the Trust's financial position, it is important to recognize the mission of the Trust. From a financial perspective, the Trust's general objectives are to formulate, develop, and administer, on behalf of the members, a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss prevention program. As of June 30, 2008, 27 Michigan school districts participate in the Trust.

The key financial statistics for the Trust are based on total anticipated claims to be paid in a specific policy year as compared to the contributions received from members, otherwise known in the industry as a "loss ratio."

	Policy Year Ended		
	2008	2007	2006
Total contributions	\$ 3,024,970	\$ 3,213,158	\$ 3,230,676
Total estimated claim payments	948,664	962,005	466,561
Loss ratio	31.4%	29.9%	14.4%

Total estimated claim payments for each policy year consist of claim payments and an estimate of unsettled claims estimated by a third-party administrator and an estimate of claims incurred but not reported by an independent actuary. The methods of making such estimates are continuously reviewed by management and, according to industry practice, any changes to these estimates will have an impact on reported results of future periods. Claim payments can change significantly from period to period because the ultimate amount paid for claims is dependent on the frequency of claims filed as well as other events such as jury decisions, court interpretations, and legislative changes.

West Michigan Risk Management Trust

Management's Discussion and Analysis (Continued)

To reduce the Trust's exposure to large specific and aggregate policy year claims, the Trust enters into excess insurance contracts to recover losses in excess of stated amounts in the excess insurance contract. Currently, the per claim limit totals \$250,000.

A total of 100 percent of assets consists of cash, cash equivalents, and investments for 2008, 2007, and 2006. Approximately 93 percent, 91 percent, and 78 percent of total liabilities consist of reserve for claims for 2008, 2007, and 2006, respectively. Due to the nature of property/casualty claims and the related reporting and settlement processes of claims, it is anticipated, based on historical averages of the Trust, that approximately 35 percent of the 2008 estimated reserve for claims will be settled within one year. The analysis below presents a comparison of the Trust's current year financial position to the prior years:

	2008	2007	2006
Total assets (all current)	<u>\$ 4,286,349</u>	<u>\$ 3,823,537</u>	<u>\$ 3,346,543</u>
Current liabilities	\$ 462,948	\$ 407,251	\$ 689,485
Long-term liabilities	<u>709,757</u>	<u>624,191</u>	<u>595,695</u>
Total liabilities	1,172,705	1,031,442	1,285,180
Net assets (unrestricted)	<u>3,113,644</u>	<u>2,792,095</u>	<u>2,061,363</u>
Total liabilities and net assets	<u>\$ 4,286,349</u>	<u>\$ 3,823,537</u>	<u>\$ 3,346,543</u>

The following table shows the major components of income from operations for the current year compared to the prior years:

	2008	2007	2006
Income			
Member contributions	\$ 3,024,970	\$ 3,213,158	\$ 3,230,676
Interest income	191,216	195,185	117,559
Other income	<u>-</u>	<u>1,343</u>	<u>23,414</u>
Total income	3,216,186	3,409,686	3,371,649
Expenses			
Total provision for claims	810,023	508,835	509,156
Total operating expenses	<u>2,084,614</u>	<u>2,170,119</u>	<u>2,142,019</u>
Total expenses	<u>2,894,637</u>	<u>2,678,954</u>	<u>2,651,175</u>
Total Increase in Net Assets	<u>\$ 321,549</u>	<u>\$ 730,732</u>	<u>\$ 720,474</u>

West Michigan Risk Management Trust

Management's Discussion and Analysis (Continued)

The decrease in operating expenses is a result of a decrease in excess insurance premiums in 2008. The increase in operating expenses for 2007 is a result of an increase in professional fees and loss control incurred in 2007. Total provision for claims, as noted above, is dependent on many factors and will change from year to year based on these factors.

Economic Factors and Next Year's Rates

The expected rates charged by the Trust for member contributions for the next fiscal year are not expected to change significantly. All other operating expenses are expected to remain consistent with amounts reported in 2008. The provision for claim payments is expected to be consistent with historical trends, and we are unaware of any economic events or legislative events that would have a significant impact on the operations of the Trust.

Contacting the Trust's Management

This financial report is intended to provide our members and regulators with a general overview of the accountability for the money the Trust receives. If you have questions about this report or need additional information, we welcome you to contact Jim English, Treasurer, West Michigan Risk Management Trust, at 269-792-2181.

West Michigan Risk Management Trust

Statement of Net Assets

		June 30	
		2008	2007
Assets			
Cash and cash equivalents (Note 2)		\$ 3,202,758	\$ 2,787,466
Investments (Note 2)		<u>1,083,591</u>	<u>1,036,071</u>
Total assets		<u>\$ 4,286,349</u>	<u>\$ 3,823,537</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable		\$ 4,500	\$ 3,645
Deferred revenue		82,448	85,606
Current portion of reserve for claims (Note 3)		<u>376,000</u>	<u>318,000</u>
Total current liabilities		462,948	407,251
Long-term Liabilities - Reserve for claims - Net of current portion (Note 3)		<u>709,757</u>	<u>624,191</u>
Total liabilities		1,172,705	1,031,442
Net Assets - Unrestricted		<u>3,113,644</u>	<u>2,792,095</u>
Total liabilities and net assets		<u>\$ 4,286,349</u>	<u>\$ 3,823,537</u>

West Michigan Risk Management Trust

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2008	2007
Operating Revenue		
Member contributions	\$ 3,024,970	\$ 3,213,158
Interest income	191,216	195,185
Other income	-	1,343
Total operating revenue	3,216,186	3,409,686
Operating Expenses		
Provision for claims (Note 3):		
Payments	666,457	574,339
Change in reserves for claims	143,566	(65,504)
Reinsurance premiums (Note 4)	1,506,595	1,592,786
Service agent fees	243,904	228,800
Claims management fees	105,618	82,240
Administrative expenses:		
Professional fees	45,004	31,216
Appraisal service	2,535	3,100
MCCA assessments	141,868	152,574
Other	39,090	79,403
Total operating expenses	2,894,637	2,678,954
Operating Income	321,549	730,732
Net Assets - Beginning of year	2,792,095	2,061,363
Net Assets - End of year	\$ 3,113,644	\$ 2,792,095

West Michigan Risk Management Trust

Statement of Cash Flows

	Year Ended June 30	
	2008	2007
Cash Flows from Operating Activities		
Cash received from members	\$ 3,021,812	\$ 3,026,289
Cash paid for claims	(666,457)	(574,339)
Cash paid to suppliers and others	(2,083,759)	(2,170,141)
Net cash provided by operating activities	271,596	281,809
Cash Flows from Investing Activities		
Interest income received	191,216	195,185
Purchase of investments	(47,520)	(1,036,071)
Net cash provided by (used in) investing activities	143,696	(840,886)
Net Increase (Decrease) in Cash and Cash Equivalents	415,292	(559,077)
Cash and Cash Equivalents - Beginning of year	2,787,466	3,346,543
Cash and Cash Equivalents - End of year	\$ 3,202,758	\$ 2,787,466

A reconciliation of operating income to net cash from operating activities is as follows:

	Year Ended June 30	
	2008	2007
Operating income	\$ 321,549	\$ 730,732
Adjustments to reconcile operating income to net cash from operating activities:		
Interest income	(191,216)	(195,185)
Increase (decrease) in liabilities:		
Accounts payable	855	(1,365)
Deferred revenue	(3,158)	(186,869)
Reserve for claims	143,566	(65,504)
Net cash provided by operating activities	\$ 271,596	\$ 281,809

There were no significant noncash investing, capital, or financing activities during the years ended June 30, 2008 and 2007.

West Michigan Risk Management Trust

Notes to Financial Statements June 30, 2008 and 2007

Note 1 - Nature of Entity and Significant Accounting Policies

West Michigan Risk Management Trust (the "Trust") was established July 1, 1990 under the laws of the State of Michigan as a governmental group risk retention trust. The Trust provides a single multi-peril contract under which the members are covered for various types of risk, including property (all risk), general, automobile liability, loss and physical damage, mobile equipment, EDP software, fine arts and other miscellaneous property, crime, and boiler machinery. Membership in the Trust is open to all school districts in western Michigan, of which 27 currently participate.

The Trust provides risk management, consisting of compensating members for losses, costs, and expenses related to the stated coverages and using the funds contributed by members to defend any member of the Trust against stated liability or loss. Membership in the Trust is considered after a formal request supported by a resolution from the Board of Education of the applying school district. Any member joining the Trust is required to remain a member for a minimum of three full years. A member may withdraw from the Trust after the member's initial three-year term by giving nine months' prior written notice.

Trust underwriting and rate-setting policies are established after consultation with excess insurance underwriters and actuaries. Members are given 30 days' notice to make annual contributions to the Trust. The annual contributions are based on a final budget approved by the board of directors.

The Trust uses the accrual method of accounting. Contributions from members, which are calculated by the Trust, are recorded as revenue. Claim losses, along with excess insurance premiums, service fees, training program expense, and administrative expenses, are recorded as expenses. The estimated total cost of claim losses is accrued based on the estimate of claims that ultimately will be filed for an insurance period. The revenue, including investment income, and expenses for each self-insurance year are accounted for separately to determine excess equity or funding deficits. To the extent contributions finally are deemed to exceed claim losses and other costs, excess amounts will be refunded to members based on total premiums paid in an individual policy year. If necessary, funding deficits in individual policy years will be recovered through additional member contributions assessed to members participating in that policy year.

The Trust distinguishes operating revenues and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with the Trust's principal ongoing operations. The principal operating revenue relates to member's premiums and investment income. Operating expenses include the cost of services and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

West Michigan Risk Management Trust

Notes to Financial Statements June 30, 2008 and 2007

Note 1 - Nature of Entity and Significant Accounting Policies (Continued)

Cash and Cash Equivalents - The Trust considers all highly liquid investments purchased with a maturity of three months or less to be cash and cash equivalents.

Investments - Investments consist of certificates of deposit with maturities greater than three months and are stated at fair value, based on quoted market prices.

Reserve for Claims - The reserve for claims represents the estimated liability for unpaid insurance losses and related expenses from reported claims and claims incurred but not reported. Changes to estimates are reflected in earnings currently.

Federal Income Tax Status - Premium and investment income of the Trust is tax-exempt under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the financial statements.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures in the financial statements. Actual results could differ from those estimates. Significant estimates exist relating to the reserve for claims as described in Note 3.

Note 2 - Deposits and Investments

The Trust's investment policy authorizes the Trust to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan.

The Trust designated Comerica Bank for the deposit of its funds.

The Trust's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Trust's deposits may not be returned to it. The Trust does not have a deposit policy for custodial credit risk of bank deposits. At June 30, 2008, the Trust's deposit balance of \$4,312,841 had \$4,112,694 of bank deposits (checking, savings accounts, and certificates of deposit) that were uninsured and uncollateralized. At June 30, 2007, the Trust's deposit balance of \$3,859,418 had \$3,650,812 of bank deposits (checking, savings accounts, and certificates of deposit) that were uninsured and uncollateralized. The Trust believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Trust evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

West Michigan Risk Management Trust

Notes to Financial Statements June 30, 2008 and 2007

Note 3 - Reserve for Claims

The estimated reserve for unsettled claims filed is provided by the third-party administrator. The reserve for claims incurred but not reported is estimated by an independent actuary based upon the Trust's historical experience of claims incurred prior to June 30, 2008. The estimates reflect the best judgment as to the potential for claims to increase beyond the amounts already paid and reserved on filed claims. It is at least reasonably possible that a material change in the estimate could occur within the near term and thus the actual claims paid may be substantially different than these estimates. Any future adjustments to these amounts will affect the reported results of future periods.

The following summarizes the reserve for claims at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Claims filed at June 30 that remain unsettled as of that date	\$ 405,589	\$ 400,747
Estimate of claims relating to periods prior to June 30 not filed as of that date that are expected to be filed in the future	<u>680,168</u>	<u>541,444</u>
Total	<u>\$ 1,085,757</u>	<u>\$ 942,191</u>

West Michigan Risk Management Trust

Notes to Financial Statements June 30, 2008 and 2007

Note 3 - Reserve for Claims (Continued)

The following represents changes in reserve for claims for the years ended June 30, 2008 and 2007:

	2008	2007
Reserve for Claims - Beginning of year	\$ 942,191	\$ 1,007,695
Incurred Claims and Claims Adjustment Expenses		
Provision for claims in the current year	948,664	990,000
Decrease in provision for claims incurred in prior years	<u>(138,641)</u>	<u>(481,165)</u>
Total incurred claims and claims adjustment expenses	810,023	508,835
Payments		
Claims and claims adjustment expenses paid for claims incurred in the current year	221,370	272,870
Claims and claims adjustment expenses paid for claims incurred in prior years	<u>445,087</u>	<u>301,469</u>
Total payments	<u>666,457</u>	<u>574,339</u>
Reserve for Claims - End of year	<u><u>\$ 1,085,757</u></u>	<u><u>\$ 942,191</u></u>

The estimated liability for incurred prior year claims decreased in 2008 and 2007 due primarily to claims settling for amounts different from those originally estimated.

West Michigan Risk Management Trust

Notes to Financial Statements June 30, 2008 and 2007

Note 4 - Excess Insurance Coverage

The Trust uses excess insurance agreements to reduce its exposure to large aggregate and specific losses. These agreements allow the Trust to recover losses in excess of aggregate and specific coverages specified in the agreements; however, the primary liability of the Trust is not discharged for the risks covered by these agreements. The Trust does not report claims liabilities expected to be paid under these agreements unless it is probable that those liabilities will not be covered and paid by excess insurance agreements. Premiums ceded under these agreements during the years ended June 30, 2008 and 2007 were \$1,506,595 and \$1,592,786, respectively. No amounts were deducted from reserve for claims for expected recoveries under these contracts at June 30, 2008 and 2007.

Required Supplemental Information

West Michigan Risk Management Trust

Required Supplemental Information Schedule of Claims Development

Claims Development Information

The table on the following page illustrates how the Trust's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Trust as of the end of each of the past 10 years. The rows of the table are defined as follows:

(1) This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

(2) This line shows the fiscal year's other operating costs of the Trust, including overhead and claims expense not allocable to individual claims.

(3) This line shows the Trust's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

(4) This section of 10 rows shows the cumulative net amounts paid as of the end of the successive years for each policy year.

(5) This line shows the latest re-estimation amount of claims assumed by reinsurers as of the end of the current year for each accident year.

(6) This section of 10 rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, and the emergence of new claims not previously known).

(7) This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought.

As data for individual policy years mature, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

West Michigan Risk Management Trust

Required Supplemental Information Schedule of Claims Development (Continued)

	Year Ended June 30									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
(1) Required contributions and interest income:										
Earned	\$ 3,216,186	\$ 3,408,343	\$ 3,348,235	\$ 3,142,570	\$ 3,313,779	\$ 2,961,537	\$ 2,133,333	\$ 1,710,092	\$ 1,683,592	\$ 1,608,413
Ceded	1,506,595	1,592,786	1,597,238	1,705,892	2,083,490	1,757,631	1,242,055	909,972	896,147	896,904
Net earned	1,709,591	1,815,557	1,750,997	1,436,678	1,230,289	1,203,906	891,278	800,120	787,445	711,509
(2) Unallocated expenses	228,497	266,293	224,895	193,265	262,680	220,344	190,542	109,624	119,423	142,792
(3) Estimated claims and expenses, end of policy year:										
Incurred	948,664	990,000	867,000	600,999	1,031,000	1,144,250	600,708	647,844	489,735	620,426
Ceded	-	-	-	-	125,000	325,250	-	-	-	-
Net incurred	948,664	990,000	867,000	600,999	906,000	819,000	600,708	647,844	489,735	620,426
(4) Net paid (cumulative) as of:										
End of policy year	\$ 221,370	\$ 272,870	\$ 285,509	\$ 180,928	\$ 286,122	\$ 454,491	\$ 319,738	\$ 399,174	\$ 196,865	\$ 238,660
One year later	-	699,848	406,024	355,809	516,184	464,185	453,616	486,870	367,349	490,556
Two years later	-	-	419,662	440,137	590,356	600,658	464,006	573,336	540,415	511,175
Three years later	-	-	-	444,608	686,982	603,360	570,735	575,794	557,934	520,257
Four years later	-	-	-	-	686,982	603,360	592,913	575,794	571,862	520,257
Five years later	-	-	-	-	-	603,360	592,913	575,794	661,992	520,257
Six years later	-	-	-	-	-	-	592,913	575,794	656,220	520,257
Seven years later	-	-	-	-	-	-	-	575,794	656,220	523,726
Eight years later	-	-	-	-	-	-	-	-	656,220	523,726
Nine years later	-	-	-	-	-	-	-	-	-	523,726
(5) Re-estimated ceded claims and expenses	-	-	-	-	613,998	610,038	-	-	-	-
(6) Re-estimated net incurred claims and expenses:										
End of policy year	948,664	990,000	867,000	600,999	906,000	819,000	600,708	647,844	489,735	620,246
One year later	-	962,005	521,826	570,051	999,999	734,506	531,248	565,441	493,499	591,809
Two years later	-	-	466,561	504,486	754,020	673,233	586,066	601,175	611,473	568,577
Three years later	-	-	-	479,820	722,019	642,338	642,338	594,175	602,458	531,522
Four years later	-	-	-	-	701,178	613,233	607,338	575,794	677,555	524,177
Five years later	-	-	-	-	-	603,360	592,913	575,794	666,917	524,177
Six years later	-	-	-	-	-	-	592,913	575,794	656,220	520,257
Seven years later	-	-	-	-	-	-	-	575,794	656,220	523,726
Eight years later	-	-	-	-	-	-	-	-	656,220	523,726
Nine years later	-	-	-	-	-	-	-	-	-	523,726
(7) Increase (decrease) in estimated net incurred claims and expenses from end of policy year	-	(27,995)	(400,439)	(121,179)	(204,822)	(215,640)	(7,795)	(72,050)	166,485	(96,700)

Other Supplemental Information

West Michigan Risk Management Trust

Schedule of Revenue, Expenses, and Changes in Net Assets for the Year Ended June 30, 2008

	Prior Years	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total
Income												
Member contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,024,970	\$ 3,024,970
Investment income	-	-	-	-	-	-	-	-	-	-	191,216	191,216
Total income	-	-	-	-	-	-	-	-	-	-	3,216,186	3,216,186
Expenses												
Provision for claims:												
Payments	-	-	-	-	-	-	-	4,471	13,638	426,978	221,370	666,457
Change in reserve for claims	-	-	-	-	-	(9,873)	(20,841)	(29,137)	(68,903)	(454,973)	727,294	143,566
Excess insurance premiums	-	-	-	-	-	-	-	-	-	-	1,506,595	1,506,595
Service agent fees	-	-	-	-	-	-	-	-	-	-	243,904	243,904
Claims management fees	-	-	-	-	-	-	-	-	-	-	105,618	105,618
Administrative expenses:												
Professional fees	-	-	-	-	-	-	-	-	-	-	45,004	45,004
Appraisal service	-	-	-	-	-	-	-	-	-	-	2,535	2,535
MCCA assessments	-	-	-	-	-	-	-	-	-	-	141,868	141,868
Other	-	-	-	-	-	-	-	-	-	-	39,090	39,090
Total expenses	-	-	-	-	-	(9,873)	(20,841)	(24,666)	(55,265)	(27,995)	3,033,278	2,894,637
Excess of Income Over Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,873	\$ 20,841	\$ 24,666	\$ 55,265	\$ 27,995	\$ 182,908	\$ 321,549

West Michigan Risk Management Trust

Schedule of Revenues, Expenses, and Changes in Net Assets by Policy Year from Inception through June 30, 2008

	Prior Years	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total
Income												
Member contributions	\$ 10,590,375	\$ 1,600,974	\$ 1,654,179	\$ 1,688,446	\$ 2,124,218	\$ 2,952,320	\$ 3,307,375	\$ 3,130,811	\$ 3,230,676	\$ 3,213,158	\$ 3,024,970	\$ 36,517,502
Investment income	409,896	15,812	61,889	32,528	18,080	20,340	13,549	11,759	117,559	195,185	191,216	1,087,813
Other income	11,700	1,886	9,170	10,200	4,049	3,534	1,503	5,544	23,414	1,343	-	72,343
Total income	11,011,971	1,618,672	1,725,238	1,731,174	2,146,347	2,976,194	3,322,427	3,148,114	3,371,649	3,409,686	3,216,186	37,677,658
Expenses												
Provision for claims:												
Payments	3,127,000	523,726	656,220	575,794	592,913	603,360	686,982	444,608	419,662	699,848	221,370	8,551,483
Addition to reserve for claims	-	-	-	-	-	-	14,196	35,212	46,899	262,157	727,294	1,085,757
Excess insurance premiums	6,606,241	896,904	896,147	748,472	1,070,655	1,561,131	1,881,095	1,705,892	1,597,238	1,592,786	1,506,595	20,063,156
Service agent fees	-	-	-	161,500	171,400	196,500	202,395	210,908	229,700	228,800	243,904	1,645,107
Claims management fees	462,772	119,069	89,447	63,533	96,168	84,067	98,939	99,911	90,186	82,240	105,618	1,391,950
Training program	23,292	1,241	5,096	3,642	-	-	-	-	-	-	-	33,271
Administrative expenses:												
Professional fees	117,562	17,635	19,302	17,600	18,975	21,007	20,601	28,694	33,949	31,216	45,004	371,545
Appraisal service	31,645	2,400	2,555	2,825	2,950	-	2,729	2,600	2,675	3,100	2,535	56,014
MCCA assessments	-	-	-	-	59,842	79,138	114,524	150,121	163,169	152,574	141,868	861,236
Loss control	-	-	-	7,760	7,775	4,268	3,801	-	-	-	-	23,604
Other	60,474	2,447	3,023	14,264	4,832	31,864	22,087	11,850	25,102	79,403	39,090	294,436
Total expenses	10,428,986	1,563,422	1,671,790	1,595,390	2,025,510	2,581,335	3,047,349	2,689,796	2,608,580	3,132,124	3,033,278	34,377,559
Excess of Income Over Expenses	582,985	55,250	53,448	135,784	120,837	394,859	275,078	458,318	763,069	277,562	182,908	3,300,099
Premium Surplus Returned to Members	186,455	-	-	-	-	-	-	-	-	-	-	186,455
Net Assets - End of year	\$ 396,530	\$ 55,250	\$ 53,448	\$ 135,784	\$ 120,837	\$ 394,859	\$ 275,078	\$ 458,318	\$ 763,069	\$ 277,562	\$ 182,908	\$ 3,113,644